

# SENATE BILL No. 551

## DIGEST OF INTRODUCED BILL

**Citations Affected:** IC 6-3.1-25; IC 22-4.1-10.

**Synopsis:** Tax credit for job training expenses. Provides to an employer with full-time employees a state tax credit equal to 30% of eligible expenditures made for job skills training programs that are: (1) certified by the department of workforce development; and (2) offered by the employer or reimbursed by the employer on behalf of its employees. Provides that an employer is ineligible for the tax credit to the extent that the employer receives a state funded grant for job skills training programs during the same taxable year. Requires the department of workforce development to establish procedures to certify job skills training programs and to audit employers seeking the tax credit.

**Effective:** Upon passage; January 1, 2006.

**Ford**

January 20, 2005, read first time and referred to Committee on Tax and Fiscal Policy.

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First Regular Session 114th General Assembly (2005)

PRINTING CODE. Amendments: Whenever an existing statute (or a section of the Indiana Constitution) is being amended, the text of the existing provision will appear in this style type, additions will appear in **this style type**, and deletions will appear in ~~this style type~~.

Additions: Whenever a new statutory provision is being enacted (or a new constitutional provision adopted), the text of the new provision will appear in **this style type**. Also, the word **NEW** will appear in that style type in the introductory clause of each SECTION that adds a new provision to the Indiana Code or the Indiana Constitution.

Conflict reconciliation: Text in a statute in *this style type* or ~~this style type~~ reconciles conflicts between statutes enacted by the 2004 Regular Session of the General Assembly.

## SENATE BILL No. 551

A BILL FOR AN ACT to amend the Indiana Code concerning taxation.

*Be it enacted by the General Assembly of the State of Indiana:*

1 SECTION 1. IC 6-3.1-25 IS ADDED TO THE INDIANA CODE  
2 AS A **NEW** CHAPTER TO READ AS FOLLOWS [EFFECTIVE  
3 JANUARY 1, 2006]:

4 **Chapter 25. Certified Job Skills Training Program Employer**  
5 **Credit**

6 **Sec. 1.** As used in this chapter, "certified job skills training  
7 program" means a job skills training program certified by the  
8 department of workforce development under IC 22-4.1-10.

9 **Sec. 2.** As used in this chapter, "full-time employee" means an  
10 individual who is employed for consideration for at least thirty-five  
11 (35) hours each week or who renders any other standard of service  
12 generally accepted by custom or specified by contract as full-time  
13 employment.

14 **Sec. 3.** As used in this chapter, "pass through entity" means:

15 (1) a corporation that is exempt from the adjusted gross  
16 income tax under IC 6-3-2-2.8(2);

17 (2) a partnership;



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(3) a limited liability company; or

(4) a limited liability partnership.

Sec. 4. As used in this chapter, "qualified employer" means an individual, a corporation, or a pass through entity that employs full-time employees during the taxable year in which the employer incurs training program expenditures eligible for a credit under this chapter.

Sec. 5. As used in this chapter, "state tax liability" means a taxpayer's total tax liability that is incurred under:

(1) IC 6-3-1 through IC 6-3-7 (adjusted gross income tax);

(2) IC 6-5.5 (financial institutions tax); and

(3) IC 27-1-18-2 (insurance premiums tax);

as computed after the application of the credits that under IC 6-3.1-1-2 are to be applied before the credit provided by this chapter.

Sec. 6. As used in this chapter, "training program expenditures" means expenses incurred by a qualified employer for any of the following:

(1) Sponsoring or cosponsoring a certified job skills training program that the qualified employer provides to its employees, to the extent the expenses are incurred in providing the training to its employees and not to other program participants, including any fees or revenue lost by providing the program to its employees at no cost or at a reduced cost.

(2) Reimbursing an employee for participation in a certified job skills training program not sponsored or cosponsored by the qualified employer.

Sec. 7. Training program expenditures are eligible for the credit provided by this chapter only to the extent that the training program expenditures made by the qualified employer during the taxable year exceed the sum of the following amounts received by the qualified employer during the taxable year:

(1) Reimbursements for training program expenditures under any governmental program.

(2) Training grants that:

(A) are provided by the state; and

(B) are payable from state tax revenues or employer assessments deposited in:

(i) the training 2000 fund established by IC 4-4-4.6-6;

(ii) the Indiana strategic development fund established by IC 4-4-23-6;

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- (iii) the counter-cyclical revenue and economic stabilization fund established by IC 4-10-18-2;
- (iv) the skills 2016 training fund established by IC 22-4-24.5-1;
- (v) the employment and training services administration fund established by IC 22-4-24-1; or
- (vi) the special employment and training services fund established by IC 22-4-25-1.

**Sec. 8. (a)** A qualified employer is entitled to a credit against the qualified employer's state tax liability for eligible training program expenditures made by the qualified employer in a taxable year.

**(b)** The amount of the credit is equal to the qualified employer's eligible training program expenditures in the taxable year multiplied by thirty percent (30%).

**Sec. 9. (a)** If the credit determined under section 8 of this chapter for a qualified employer in a taxable year exceeds the qualified employer's state tax liability for that taxable year, the qualified employer may carry the excess over to the following taxable years. The amount of the credit carryover from a taxable year shall be reduced to the extent that the carryover is used by the qualified employer to obtain a credit under this chapter for any subsequent taxable year. A qualified employer is not entitled to carry back any unused credit.

**(b)** A qualified employer is not entitled to a refund of any unused credit.

**Sec. 10.** If a qualified employer is a pass through entity that does not have state income tax liability against which the credit under this chapter may be applied, a shareholder, partner, or member of the pass through entity is entitled to a tax credit equal to:

- (1) the tax credit determined for the pass through entity for the taxable year; multiplied by
- (2) the percentage of the pass through entity's distributive income to which the shareholder, partner, or member is entitled.

**Sec. 11.** To receive the credit provided by this chapter, a qualified employer must claim the credit on the qualified employer's state tax return in the manner prescribed by the department. The qualified employer must submit to the department proof of payment of the training program expenditures, proof that the expenditures were for job skills training programs certified by the department of workforce development under IC 22-4.1-10, and all information that the

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department determines necessary for the calculation of the credit provided by this chapter.

Sec. 12. The department of workforce development shall establish an audit program to verify the eligibility of a taxpayer for a credit under this chapter and the amount of the credit to which the taxpayer is entitled under this chapter. The department of workforce development may carry out this section by inspection or by review of information submitted by the taxpayer to the department, or both. The department of workforce development may adopt rules under IC 4-22-2 to specify the records that a taxpayer must keep and the informational reports that the taxpayer must provide to the department of workforce development.

SECTION 2. IC 22-4.1-10 IS ADDED TO THE INDIANA CODE AS A NEW CHAPTER TO READ AS FOLLOWS [EFFECTIVE UPON PASSAGE]:

**Chapter 10. Job Skills Training Program Certification**

Sec. 1. As used in the chapter, "job skills training program" means a course or program designed to:

(1) develop, enhance, or upgrade basic workforce skills of an employee, including:

(A) literacy;

(B) communication skills;

(C) computational skills; or

(D) other transferable workforce skills; or

(2) develop, enhance, or upgrade advanced, specialized, or industry specific skills of an employee that are directly related to the employee's job or career.

Sec. 2. As used in this chapter, "person" means any individual, corporation, limited liability company, partnership, firm, association, public or private agency, educational institution, or other organization.

Sec. 3. As used in this chapter, "sponsor" means a person operating a job skills training program and in whose name the program is registered or approved.

Sec. 4. (a) The department shall adopt rules under IC 4-22-2 to establish standards for certifying job skills training programs in Indiana. In adopting rules under this subsection, the department may:

(1) establish specific standards; or

(2) require specific training components, instructional elements, or curricula;

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for training programs designed for particular career fields or job classifications.

(b) The rules adopted by the department under subsection (a) must require as a condition for certification under this chapter that a job skills training program be conducted under an organized, written plan that describes the following:

(1) The nature of the training, instruction, or other curricula to be provided to job skills training program participants.

(2) The career fields or job classifications to which the training relates.

(3) The duration of the training.

(4) Any certification, license, or degree that a participant may earn through completion of the job skills training program and the specific requirements for the certification, license, or degree.

(5) Any fees or tuition to be charged for the program.

(6) The sponsor's experience in conducting the job skills training program or other job skills training programs.

(c) The rules adopted by the commission under subsection (a) may include:

(1) a requirement that the sponsor of a job skills training program be certified by, accredited by, or otherwise in good standing with an appropriate accrediting body;

(2) minimum requirements, including the payment of any certification fees, for a job skills training program's initial certification under this chapter;

(3) requirements for renewing a certification issued under this chapter, including the payment of any renewal fees; or

(4) any other requirement that the department considers appropriate.

Sec. 5. The sponsor of a job skills training program that seeks certification under this chapter shall apply to the department for certification on forms prescribed by the department.

SECTION 3. [EFFECTIVE JANUARY 1, 2006] IC 6-3.1-25, as added by this act, applies to taxable years beginning after December 31, 2005.

SECTION 4. [EFFECTIVE UPON PASSAGE] (a) As used in this SECTION, "department" refers to the department of workforce development established by IC 22-4.1-2-1.

(b) Notwithstanding IC 6-3.1-25-12, as added by this act, the department shall adopt rules to establish an audit program to verify:

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1 (1) the eligibility of a taxpayer for the credit available under  
 2 IC 6-3.1-25, as added by this act; and

3 (2) the amount of the credit to which a taxpayer is entitled  
 4 under IC 6-3.1-25, as added by this act;

5 in the same manner as emergency rules are adopted under  
 6 IC 4-22-2-37.1. Any rules adopted by the department under this  
 7 subsection must be adopted not later than December 31, 2005.

8 (c) Notwithstanding IC 22-4.1-10-4, as added by this act, the  
 9 department shall adopt rules to implement IC 22-4.1-10, as added  
 10 by this act, in the same manner as emergency rules are adopted  
 11 under IC 4-22-2-37.1. The rules adopted by the department under  
 12 this subsection must be adopted not later than December 31, 2005.

13 (d) A rule adopted under this SECTION expires on the earliest  
 14 of:

15 (1) the date the rule is superseded by another rule adopted  
 16 under this SECTION;

17 (2) the date the rule is superseded by a rule adopted by the  
 18 department under IC 4-22-2-24 through IC 4-22-2-36; or

19 (3) January 1, 2007.

20 (e) This SECTION expires January 1, 2007.

21 SECTION 5. An emergency is declared for this act.

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